

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Abraham & Gellray, P.C.</i> <i>Abraham M. Gellray</i>			Date	

**City of Jackson Act 196
Transportation Authority
Jackson, Michigan**

FINANCIAL STATEMENTS

September 30, 2004

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

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ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

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and
Michigan Association of
Certified Public
Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
City of Jackson Act 196 Transportation Authority
Jackson, Michigan

We have audited the accompanying financial statements of the City of Jackson Act 196 Transportation Authority as of and for the year ended September 30, 2004 and 2003, as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

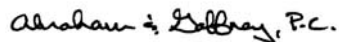
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Jackson Act 196 Transportation Authority as of September 30, 2004 and 2003, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Authority has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of October 1, 2003, along with all related statements and interpretations.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2004, on our consideration of the City of Jackson Act 196 Transportation Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, as identified in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise City of Jackson Act 196 Transportation Authority's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, and Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Jackson Act 196 Transportation Authority. Such information, except for the portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 17, 2004

As management of the Jackson Transportation Authority ["the Authority"], we offer readers of the Jackson Transportation Authority's financial statements this narrative overview and analysis of the financial activities of the Jackson Transportation Authority for the fiscal year ended September 30, 2004.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$4,653,990.
- The Authority's total net assets decreased by just \$55,417, as the result of current year activity. Of this figure \$951,769 in the decrease is attributable to depreciation. Significant capital contributions resulted in large additions to net assets.
- It should be noted that while the net assets only indicate a reduction of \$55,397, the net decrease in cash and cash equivalents was \$332,882 from the previous year.
- Capital contributions from the federal and state governments amounted to \$1,214,123 in 2004, offsetting depreciation and resulting in a relatively small decrease in net assets. The majority of capital contributions (\$992,397) were a result of the construction of a fueling/maintenance facility on existing property. The other significant capital contribution involved technology hardware equipment purchases for vehicles.
- Total expenses exceeded total revenues resulting in a loss of \$4,870,265, prior to adding non-operating revenue (state and federal grants, and local millage receipts). After adding non-operating revenue to operating revenue, net assets decreased by \$55,397.

Overview of the Financial Statements

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise four components: statements of net assets; statements of revenues, expenses, and changes in net assets; statements of cash flows; and notes to the financial statements.

The statement of net assets presents information on all of the Authority's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The statement of net assets is shown on page 1 of this report.

The statement of revenues, expenses, and changes in net assets presents information on revenues, expenses, capital contributions, and how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of related cash flows. Thus, revenues, expenses, and capital contributions are reported in the statements of some items that will only result in cash flows in future fiscal periods. The increase or decrease in net assets may serve as an indicator of the effect of the Authority's current year operations on its financial position. The statement of revenues, expenses, and changes in net assets is shown on page 2 of this report.

The statement of cash flows summarize all of the Authority's cash flows into four categories: cash flows from operating activities; cash flows from non-capital financing activities; cash flows from capital and related financing activities; and cash flows from investing activities. The statement of cash flows is shown on page 3 of this report.

The statement of cash flows, along with related notes and information in other financial statements, can be used to assess the following: the Authority's ability to generate positive future cash flows and pay its debts if and when they occur and/or mature; the reasons for differences between the Authority's operating cash flows and operating income [loss]; the effect of cash and non-cash investing, capital, and financing activities on the Authority's financial position.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the statement of net assets; statement of revenues, expenses, and changes in net assets; and statement of cash flows. The notes to the financial statements are shown on pages 4 to 11 of this report.

Jackson Transportation Authority

Management's Discussion and Analysis Year Ended September 30, 2004

The financial statements provide information on all functions of the Authority as business type activities. The activities of the Authority are supported by a property tax levy, fare collections from passengers, and federal and state financial assistance.

Financial Analysis

Statement of Net Assets - Total assets of the Authority exceeded total liabilities by \$4,653,990 as of September 30, 2004. The largest portion of this excess, (\$3,616,881) of total net assets of \$4,653,990, was invested in capital assets less any related debt that might be outstanding. The Authority used these capital assets to provide public transit services to customers and member jurisdictions; consequently, these assets are not available for future spending. Even though the Authority has no current debt, it should be noted that the Authority's investment in capital assets resources could not be used to liquidate any future liabilities. Such debt, should it occur, would need to be repaid using other sources of revenue such as property tax.

CONDENSED STATEMENT OF NET ASSETS

Current Assets	\$ 1,405,827
Capital Assets [net]	<u>3,616,881</u>
Total Assets	5,022,708
Current Liabilities	368,718
Noncurrent Liabilities	<u>0</u>
Total Liabilities	368,718
Net Assets	
--Invested in Capital Assets	3,616,881
--Unrestricted	<u>1,037,109</u>
Total Net Assets	\$ 4,653,990

Unrestricted net assets [\$1,037,109] are available to meet the Authority's ongoing obligations. Unrestricted net assets in 2003 were \$1,355,869 or a reduction of \$318,760.

Statement of Revenues, Expenses, and Changes in Net Assets - During fiscal year 2004, the Authority's activities resulted in a decrease in net assets of \$55,397. The decrease in net assets had several conflicting but contributing factors. State operating assistance (revenue) was reduced by of 1.6% while the Authority reduced overall operating expense by 2%. Another factor was the significant amount of Federal non-operating revenue (\$1,770,801) as a result of the building project and the technology hardware additions which occurred this year. Depreciation of \$951,769 was also included.

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Operating Revenues	\$ 1,214,111
Non-operating Revenues	<u>4,814,848</u>
Total Revenues	6,028,959
Depreciation Expense	951,769
Other Operating Expenses	<u>5,132,607</u>
Total Expenses	6,084,376
Beginning Net Assets	4,709,407
Ending Net Assets	<u>4,653,990</u>
Change in Net Assets	\$ -55,417

Jackson Transportation Authority

Management's Discussion and Analysis Year Ended September 30, 2004

The increase in operating revenues of about \$71,069 (or 6%) was due to the higher reimbursement rates for contract services, contractual maintenance services and passenger receipts. Property tax revenues increased by \$7,896. Investment income decreased by about \$6,019 due to lower interest rates and lower available cash balances during the year. State of Michigan Act 51 operating assistance decreased by about \$183,091 (or 8%). This significant decrease is due to the fact that the State's reimbursement formula declined by about 1.5% and because the Authority took action to reduce operating expense. Therefore, due to the expense based formula, State revenues for the Authority decreased by even more than the State imposed 1.5% decline. Federal FTA urban operating assistance increased by \$41,567 as the result of the decision made by the Authority to use additional federal formula funds for operating purposes in lieu of using them to support capital purchases. This trend is likely to continue due to the need for operating revenue. Typically, in the past a sizable portion of federal urban formula funds have been used for capital purposes. However, as revenue sources become scarce, there is a greater need to use the funds for operating expenses. This trend has the down side of not having funds available for future capital needs.

The following table shows revenues and expenses by source for the fiscal year ended September 30, 2004.

Operating Revenues	\$ 1,214,111
Non-operating Revenues	
• Property Taxes	550,785
• State Funds	2,383,759
• Federal Funds	1,770,801
• Local Funds	101,035
Interest Earnings	8,468
Total Revenues	6,028,959
Operations Expenses	4,028,786
Maintenance Expenses	1,192,566
General Administrative Expenses	863,024
Total Expenses	\$ 6,084,376

A table showing revenues and expenses by source for the fiscal year ended September 30, 2003, is not included since 2004 was the first year that the Authority was covered under requirements of GASB 34. In fiscal year 2005, the information shown above will form the basis of a comparison of revenues and expenses between 2004 and 2005.

Capital Assets and Debt Administration

Capital Assets - The Authority's investment in capital assets as of September 30, 2004, was \$3,616,881 compared to \$3,353,538 in 2003. Investment in capital assets includes: land, buildings and improvements; revenue and non-revenue vehicles; equipment; furniture, fixtures, and leasehold improvements. The net increase in capital assets during the current year was \$263,343 (or 8%). There were three (3) factors that impacted capital assets during 2004. First, a large investment of State and Federal funds occurred related to the construction of a fueling/maintenance facility. Second, technology hardware was purchased for revenue vehicles. Third, annual depreciation of the Authority's capital assets.

The following table summarizes capital assets net of depreciation as of September 30, 2004.

Land [not depreciated]	\$ 180,119
Buildings and improvements	1,706,503
Revenue vehicles/Service vehicles	1,269,724
Furniture and fixtures	15,393
Equipment	445,142
Net Capital Assets	\$ 3,616,881

Additional information on the Authority's capital assets is shown in Note D on page 8.

Outstanding Debt - At the end of the 2004 fiscal year, the Authority had no outstanding debt. This was unchanged from the 2003 fiscal year.

Other Significant Items

Once again this year the Authority has had to rely upon cash reserves to meet operating expenses that exceed revenues. For that reason it is important to focus on "Net Assets". Unfortunately, net assets within this report only indicate a reduction of \$55,397. While this is accurate from an overall perspective, the actual unrestricted reduction to net assets can be more accurately measured by comparing unrestricted net assets from 2003 to 2004. Unrestricted net assets in 2003 were \$1,355,869. Unrestricted net assets at the end of 2004 were \$1,037,109 or a reduction of \$318,760.

Similar reductions have occurred for the last several fiscal years as expenses increased and revenues decreased. A number of cost saving measures have been implemented during this period in an attempt to reduce reliance upon cash reserves. Several management positions have not been filled; staff vehicles have been eliminated, FTEs have been reduced. However, with the expense based formula used by the State of Michigan, cost cutting measures have limited impact. Each time expense is reduced, State revenue is lost. This fact points to the obvious, a need to increase revenue.

The Authority has increased contractual rates over these years. However, the Authority has also lost or had reduced several contractual transportation agreements due to the reduced resources of the entities we are contracting with. This is primarily due to the fact many of the entities we contract with rely upon Public funding also.

The local millage must also be considered. The JTA has a 1 mill levy for residents of the City of Jackson only. This raises approximately \$550,000 per year. This levy was just renewed for a five (5) year period in September of 2003. This 1 mill levy has not been increased (other than by property value increases) since it was first approved (1986). At the time of the most recent renewal, it was thought to be too risky to ask for an increase due to the economy in the local area along with the fact several other millages were on the ballot.

The JTA is currently working with local partners to evaluate transportation needs in Jackson and the surrounding area. During the next year we hope to have consensus on an approach to increasing revenue. If additional revenue sources are not found, the JTA will be forced to make further reductions in service levels and expenses to remain financially viable.

The continuing difficult economic conditions affecting the State of Michigan are likely to have additional impacts on the Authority. State operating assistance has fallen continuously for the last six years. Prior to fiscal year 2004 the average percentage decline in state assistance was about 1.5% per year. In fiscal year 2005 the decline has been estimated at nearly 4.0% with formula assistance for small urban/non-urban systems declining from 42.3% to about 38.3%. This will result in a loss of nearly \$200,000 for the Authority in fiscal year 2005.

If such reductions were to continue, the Authority will be forced to review the transit services it currently operates to see which services, if any, could be reduced or eliminated without drastically altering the nature of the local public transit system. The State economy only compounds the local issues facing the Authority. Authority management continues to monitor these and other factors so recommendations can be made to the JTA Board of directors for action.

Requests for Information

This financial report is designed to provide our member jurisdictions, customers, investors, and creditors with a general overview of the Authority's finances. If you have questions concerning any of the information provided in this report, or if you need additional financial information, contact the Chief Financial Officer or General Manager at the following address:

Jackson Transportation Authority
2350 East High Street
Jackson, MI 49203
Phone: 517-787-8363

Cameron McCollum
General Manager
Ext. 3790

Dawn Mroczka
Finance Director
Ext. 3781

BASIC FINANCIAL STATEMENTS

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

September 30, 2004 and 2003

	<u>2004</u>	<u>Restated 2003</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 788,002	\$ 1,120,884
Accounts receivable	140,492	97,923
Grants receivable	183,742	357,767
Inventories	260,869	247,733
Prepays	<u>32,722</u>	<u>33,148</u>
Total current assets	1,405,827	1,857,455
Noncurrent assets		
Capital assets, net	<u>3,616,881</u>	<u>3,353,538</u>
TOTAL ASSETS	5,022,708	5,210,993
LIABILITIES		
Current liabilities		
Accounts payable	36,639	195,522
Accrued liabilities	134,840	119,772
Sick and vacation payable	<u>197,239</u>	<u>186,292</u>
TOTAL LIABILITIES	<u>368,718</u>	<u>501,586</u>
NET ASSETS		
Invested in capital assets	3,616,881	3,353,538
Unrestricted	<u>1,037,109</u>	<u>1,355,869</u>
TOTAL NET ASSETS	<u>\$ 4,653,990</u>	<u>\$ 4,709,407</u>

See accompanying notes to financial statements.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Years Ended September 30, 2004 and 2003

	<u>2004</u>	<u>Restated 2003</u>
OPERATING REVENUES		
Sales and charges for services	\$ 1,214,111	\$ 1,143,042
OPERATING EXPENSES		
Administrative	863,024	907,835
Operations	4,028,786	4,094,098
Maintenance	<u>1,192,566</u>	<u>1,196,112</u>
TOTAL OPERATING EXPENSES	<u>6,084,376</u>	<u>6,198,045</u>
OPERATING (LOSS)	(4,870,265)	(5,055,003)
NONOPERATING REVENUES		
Taxes	550,785	542,889
Intergovernmental		
Federal sources	1,770,801	1,144,792
State sources	2,383,759	2,394,839
Local sources	101,035	114,964
Interest earnings	<u>8,468</u>	<u>14,507</u>
TOTAL NONOPERATING REVENUES	<u>4,814,848</u>	<u>4,211,991</u>
(DECREASE) IN NET ASSETS	(55,417)	(843,012)
Net assets, beginning of year	<u>4,709,407</u>	<u>5,552,419</u>
Net assets, end of year	<u><u>\$ 4,653,990</u></u>	<u><u>\$ 4,709,407</u></u>

See accompanying notes to financial statements.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

STATEMENT OF CASH FLOWS

Years Ended September 30, 2004 and 2003

	2004	Restated 2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 1,171,542	\$ 1,166,358
Cash paid to employees and vendors	(3,907,176)	(3,770,459)
Cash paid for employee benefits	(1,370,931)	(1,398,133)
NET CASH (USED) BY OPERATING ACTIVITIES	(4,106,565)	(4,002,234)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Taxes	550,785	542,889
Intergovernmental sources	3,215,497	2,993,535
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	3,766,282	3,536,424
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital purchases	(1,215,190)	(514,856)
Capital grants	1,214,123	441,943
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,067)	(72,913)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest revenue	8,468	14,507
NET (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR	(332,882)	(524,216)
Cash and cash equivalents, beginning of year	1,120,884	1,645,100
Cash and cash equivalents, end of year	<u>\$ 788,002</u>	<u>\$ 1,120,884</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES:		
Operating (loss)	\$ (4,870,265)	\$ (5,055,003)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities		
Depreciation	951,769	888,091
Loss on disposal of capital asset	58	-
(Increase) decrease in accounts receivable	(42,569)	47,413
(Increase) in inventories	(13,136)	(5,680)
(Increase) decrease in prepaids	426	(18,397)
Increase (decrease) in accounts payable	(158,883)	147,323
Increase (decrease) in sick and vacation payable	10,947	(15,612)
Increase in accrued liabilities	15,068	9,991
(Decrease) in charter deposits	-	(360)
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (4,106,585)</u>	<u>\$ (4,002,234)</u>

See accompanying notes to financial statements.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Jackson Act 196 Transportation Authority (JTA) was established under the applicable laws of the State of Michigan Public Act 196, as amended, to operate a transportation system within the County of Jackson on November 3, 1986. Public Act 196 known as the "public transportation authority act" authorizes the formation of public transportation authorities with certain powers and duties as separate and distinct political subdivisions within the State of Michigan.

The JTA receives Federal and State financial assistance in the form of operating and capital grant funding to support its operation, expand marketing and specialized services, and replace buses and other equipment. The JTA provides linehaul and demand response services within the City of Jackson and Jackson County. The JTA provides services on a contractual basis to several nonprofit and governmental agencies within the County as well as other services not provided through private providers.

The accounting policies of the City of Jackson Act 196 Transportation Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. In accordance with Governmental Accounting Standards Board Statement 20, the Authority has elected not to apply the FASB Statements and interpretations issued after November 30, 1989, to its financial statements. The following is a summary of the significant policies:

1. Reporting Entity

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the City of Jackson Act 196 Transportation Authority. The Authority has followed the guidelines of the Governmental Accounting Standards Board's Statement No. 14, and has determined that no entities should be consolidated into its general purpose financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements.

2. Basis of Presentation

The accounts of the JTA are organized on the basis of a fund which is considered a separate accounting entity. The operation of the fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses. JTA resources are allocated to and accounted for in the individual fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The fund in the financial statements in this report is described as follows:

PROPRIETARY FUND

Enterprise Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. Fund equity (i.e., net total assets) is segregated into invested in capital (net of related debt) and unrestricted components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- CONTINUED

4. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred.

5. Cash and Cash Equivalents

The JTA pooled cash accounts consist of various checking, money market, and savings accounts. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing accounts.

6. Capital Assets and Long-Term Liabilities

Capital assets include all buildings, vehicles, equipment, furniture, and fixtures purchased with federal or state monies or assets with an acquisition cost exceeding \$1,000 if purchased with local monies. Depreciation is recorded on all depreciable capital assets on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives are:

Buildings	30 years
Vehicles	5-10 years
Furniture and fixtures	10 years
Equipment	5-10 years

Long-term liabilities are recognized in the basic financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term. JTA did not have any long-term liabilities at September 30, 2004.

7. Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

8. Accrued Vacation and Sick Leave

JTA employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for certain portions of unused accumulated vacation and sick time. This amount has been recorded as a current liability.

9. Cost Allocations

JTA allocates expenses between various program activities for grant reporting purposes. The allocations are prepared based on a cost allocation plan and methodology that has been approved by the grantor agency (i.e., vehicle miles per program activity).

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- CONTINUED

10. Comparative Data

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the financial position and operations of the Authority.

11. Accounting Change

Effective October 1, 2003, JTA implemented the provisions of Governmental Accounting Standards Board Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB No. 34) along with all related statements and interpretations. Changes to JTA's financial statements as a result of GASB No. 34 are as follows:

- A Management's Discussion and Analysis (MD&A) section provided analysis of JTA's overall financial position and results of operations has been added.
- JTA's net assets have been restated to reflect JTA's investment in capital assets that was previously reported as contributed capital.

This implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34 based on GASB Statement No. 38. As a result, certain note disclosures have been added and/or amended.

NOTE B: CASH AND CASH EQUIVALENTS

The JTA is authorized to invest any of its funds in one (1) or more of the following:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which it maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

CITY OF JACKSON ACT 196
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NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental agency's are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Cash and cash equivalents on the balance sheet consist of the following:

Imprest cash	\$ 5,351
Checking, money market, and savings accounts	<u>782,651</u>
Total	<u>\$ 788,002</u>

Deposits

Deposits are maintained at one (1) financial institution and are carried at cost, as follows:

	<u>Carrying Amount</u>	<u>Imprest or Bank Balance</u>
Imprest cash	\$ 5,351	\$ 5,351
Insured (FDIC)	200,000	200,000
Uninsured	<u>582,651</u>	<u>622,518</u>
Total deposits	<u>\$ 788,002</u>	<u>\$ 827,869</u>

NOTE C: GRANTS RECEIVABLE

Grants receivable at September 30, 2004, by grant type and year are as follows:

State Operating Assistance - FY04	\$ 27,697
State Operating Assistance - FY03	36,775
State Operating Assistance - FY00	24,116
Federal Section 5311 - FY02	(8,430)
Federal Section 5311 - FY03	48,831
Federal Section 5311 - FY 04	19,581
Project Zero Receivable - FY04	22,430
RTAP	327
Capital Grants:	
MDOT 90-0444	1,808
MDOT 90-0394Z3	(134)
MDOT 02-0054Z7	1,352
MDOT 02-0054Z8	452
Other:	
Prison Check Cashing Fees	35
Western Union FY04	474
Ridesharing FY04	<u>8,428</u>
Total	<u>\$ 183,742</u>

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE D: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2004, was as follows:

	Balance <u>Oct. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Sept. 30, 2004</u>
Business-type activities:				
Land (not depreciated)	\$ 180,119	\$ -	\$ -	\$ 180,119
Buildings and improvements	2,873,836	992,397	-	3,866,233
Vehicles	4,661,408	-	177,750	4,483,658
Furniture and fixtures	102,677	-	-	102,677
Components parts	47,006	48,692	47,006	48,692
Equipment	<u>1,487,661</u>	<u>174,101</u>	<u>3,824</u>	<u>1,657,938</u>
Totals at historical cost	9,352,707	1,215,190	228,580	10,339,317
Less accumulated depreciation for:				
Buildings and improvements	(1,987,394)	(172,336)	-	(2,159,730)
Vehicles	(2,913,964)	(477,720)	(177,750)	(3,213,934)
Furniture and fixtures	(83,893)	(3,391)	-	(87,284)
Components parts	(47,006)	(48,692)	(47,006)	(48,692)
Equipment	<u>(966,932)</u>	<u>(249,630)</u>	<u>(3,764)</u>	<u>(1,212,796)</u>
Total accumulated depreciation	<u>(5,999,189)</u>	<u>(951,769)</u>	<u>(228,522)</u>	<u>(6,722,436)</u>
Net Capital Assets	<u>\$ 3,353,518</u>	<u>\$ 263,421</u>	<u>\$ 58</u>	<u>\$ 3,616,881</u>

A summary of capital assets by funding source at September 30, 2004, follows:

	<u>Purchased with Capital Grants</u>
Land	\$ 180,119
Buildings	3,866,233
Vehicles	4,483,658
Furniture and fixtures	102,677
Components parts	48,692
Equipment	<u>1,657,938</u>
Total	10,339,317
Less: accumulated depreciation	<u>(6,722,436)</u>
Net Property and Equipment	<u>\$ 3,616,881</u>

When Federal or State funded assets are withdrawn from public transportation service, the disposition of the assets is to be determined by the United States Department of Transportation (USDOT) and the Michigan Department of Transportation (MDOT). During the year the Jackson Transportation Authority disposed of assets that were Federally and State funded with a historical cost of \$228,580. The total amount disposed of was not fully depreciated by \$58. Depreciation expense in the amount of \$951,769 was reported for year ended September 30, 2004.

CITY OF JACKSON ACT 196
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NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE E: RETIREMENT PLAN

Plan Description

The JTA board approved on April 17, 2000, to participate in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible (i.e., full-time) employees of the JTA. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

Covered employees may contribute between 0% to 10% of their annual salary to the retirement system. Employees hired prior to 1985 may be allowed to contribute 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200. The JTA is required to contribute the remaining amounts necessary to fund the system.

Annual Pension Cost

For year ended September 30, 2004, the JTA's annual pension cost of \$267,306 for the plan was equal to the JTA's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2001, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 4.2% per year depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty (30) years.

Three (3) year trend information

Year Ended December 31,

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Actuarial value of assets	\$ 928,719	\$ 1,280,826	\$ 1,693,913
Actuarial accrued liability (AAL) (entry age)	1,805,701	2,178,706	2,658,466
Unfunded (overfunded) AAL	876,982	897,880	964,553
Funded ratio	51 %	59 %	64 %
Covered payroll	2,582,354	2,492,531	2,555,505
UAAL as a percentage of covered payroll	34 %	36 %	38 %

Year Ended September 30,

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Annual pension cost	\$ 158,314	\$ 190,863	\$ 267,306
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE F: COMPENSATED ABSENCES

Vacation leave is earned in varying amounts depending on the number of years of service of an employee. Vacation must be taken within a one (1) year period and is not subject to carryover, except if approved by the department head, and then cannot exceed 25% of the vacation leave available that year.

Sick leave is granted at a rate of six (6) days per year. Any unused sick pay up to sixteen (16) hours may be carried over to the next fiscal year. Unused sick time exceeding the sixteen (16) hours is payable to the employees in the first week of the next fiscal year.

Vacation leave is recorded as an expenditure when earned. Sick leave is not recorded until utilized or paid. Accumulated sick leave is immaterial.

The sick and vacation payable at September 30, 2004, was \$197,239 and is recorded as a current liability in the financial statements.

NOTE G: PROPERTY TAX REVENUES

The JTA property tax is levied in December on the State Equalized Valuation of property located in the City of Jackson as of the preceding December. Real and personal property in the City for the current levy was assessed and equalized at approximately \$690 million representing 50% of estimated current market value. In September 2003, the JTA's tax rate of 1.00 mill was renewed for five (5) years, covering the period from October 1, 2003 through September 30, 2008. For the year ended September 30, 2004, the JTA levied .9597 mills, due to the Headlee rollback.

NOTE H: RISK MANAGEMENT

The JTA is a member of the Michigan Transit Pool ("Pool") established pursuant to an Intergovernmental Agreement entered into by the member Transit Agencies and Authorities.

This Pool was established for the purpose of making a self-insurance pooling program available for Michigan Transit Agencies and Authorities, which includes, but is not limited to, bodily injury liability, property damage liability, and personal injury liability related to vehicle operation of the JTA. The JTA pays an annual premium to the Pool for this coverage. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums.

The JTA continues to carry commercial insurance for employee health, workers' compensation, and other insurance including general liability and commercial building insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three (3) fiscal years.

NOTE I: NET ASSETS RESERVE

The Board of Directors of the JTA has earmarked \$500,000 of net assets to provide a reserve for uninsured losses.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE J: CONTINGENT LIABILITIES

Under the terms of various Federal and State grants, periodic compliance audits are required and certain costs may be questioned, allowed, or disallowed, which could result in funds being returned and/or received from grantor agencies.

NOTE K: FLEXIBLE BENEFITS PLAN

In January 1994, JTA implemented a flexible benefits cafeteria plan established under section 125 of the Internal Revenue Code. The plan is available to all employees who are eligible to have health coverage under JTA's health insurance plan and have a benefit election form on file. The plan permits employees to waive health insurance coverage from JTA and receive a cash benefit in lieu of such health insurance. The plan also permits employees receive dependent care expense reimbursement.

The plan is administered by Flex One.

NOTE L: DEFERRED COMPENSATION

The JTA offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to substantially all employees of JTA, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Plan is administered through Nationwide Retirement Solutions.

Legislative change has been made to 457 plans which mandate that no later than January 1, 1999, all existing 457 plan assets must be held in a custodial account, trust, annuity contract for benefit of participants and their beneficiaries.

Once a trust, custodial account, or annuity contract exists, assets are owned or held by the trust, custodian, or insurer for the exclusive benefit of participants and beneficiary, and are not subject to the claims of the public employees creditors nor can they be used by the public employee for any purpose other than the payment of benefits to these individuals participating in the plan it their designated beneficiaries. As of December 31, 1997, the JTA had implemented changes to be in compliance with the new requirement. As a result, the plan assets are not reported by the JTA because the new legislation has eliminated the requirements that Section 457 plan assets legally remain the assets of the sponsoring government.

NOTE M: RESTATEMENT OF BEGINNING NET ASSETS

The following restatements were made to beginning net assets, which were the result of corrections of accounting errors as follows:

	September 30,		
	<u>2004</u>	<u>2003</u>	
Inventory	\$ -	\$ (47,006)	To correct overstatement of inventory
Revenues over (under) expenses	-	(47,006)	
Net assets - beginning	(47,006)	-	
Grants receivable	-	13,852	To correct overstatement of grants receivable
Revenues over (under) expenses	-	13,852	
Net assets - beginning	13,852	-	

OTHER SUPPLEMENTARY INFORMATION

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF OPERATING REVENUES

Year Ended September 30, 2004

	Linehaul	Demand Response	County Demand Response	Total
Operating revenues				
Passenger fares	\$ 221,973	\$ 140,047	\$ 44,372	\$ 406,392
Special transit fares				
Tickets ride and shop	3,366	-	-	3,366
Contract - Jackson Community College	4,587	-	-	4,587
Contract - DaVinci Institute	4,657	-	-	4,657
Contract - Region II Head Start	-	388,689	112,199	500,888
Contract - Foote Hospital	-	1,420	-	1,420
Contract - Family Independence Agency	-	250	75	325
PET Coordination from Agency	-	9,660	5,065	14,725
Medical shuttle	32,509	58,608	30,730	121,847
Total special fares	45,119	458,627	148,069	651,815
Auxiliary transportation revenue				
Advertising	16,723	-	-	16,723
Crosstown communications	5,800	-	-	5,800
Greyhound	8,456	15,245	7,993	31,694
Total auxiliary transportation revenue	30,979	15,245	7,993	54,217
Nontransportation revenue				
Contract maintenance	22,355	40,302	21,132	83,789
Western Union	2,077	3,745	1,963	7,785
American payment	364	656	344	1,364
Miscellaneous income	2,242	4,042	2,120	8,404
CDL road test	92	166	87	345
Total nontransportation revenue	27,130	48,911	25,646	101,687
TOTAL OPERATING REVENUES	\$ 325,201	\$ 662,830	\$ 226,080	\$ 1,214,111

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF OPERATING EXPENSES

Year Ended September 30, 2004

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administrative</u>	<u>Total System</u>
Labor				
Operator's salaries and wages	\$ 1,444,927	\$ -	\$ -	\$ 1,444,927
Dispatcher's salaries and wages	315,565	-	-	315,565
Other salaries and wages	154,339	558,180	274,265	986,784
Fringe benefits				
Pension	102,855	36,927	27,145	166,927
Other	832,145	290,771	107,106	1,230,022
Contractual services				
Advertising	-	-	28,131	28,131
Audit cost	-	-	10,900	10,900
Other services	-	30,923	116,088	147,011
Materials and supplies consumed				
Fuel and lubricants	204,335	-	-	204,335
Tires and lubes	4,724	-	-	4,724
Major supplies	691	100	2,150	2,941
Other materials and supplies	180,043	78,698	33,243	291,984
Utilities	-	-	90,111	90,111
Insurance	154,033	-	27,659	181,692
Taxes	1,333	289	-	1,622
Miscellaneous expenses				
Travel and meetings	-	5,736	5,751	11,487
Dues and subscriptions	-	-	270	270
Other miscellaneous expenses	5,628	588	6,413	12,629
Lease and rentals	-	-	545	545
Depreciation	<u>628,168</u>	<u>190,354</u>	<u>133,247</u>	<u>951,769</u>
TOTAL OPERATING EXPENSES	<u>\$ 4,028,786</u>	<u>\$ 1,192,566</u>	<u>\$ 863,024</u>	<u>\$ 6,084,376</u>

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF NONOPERATING REVENUES - LOCAL

Year Ended September 30, 2004

	Linehaul	Demand Response	County Demand Response	Total
Local operating grant				
Property tax	\$ 182,453	\$ 328,935	\$ -	\$ 511,388
Single Business tax	14,056	25,341	-	39,397
Municipality participation				
Blackman Township	7,535	-	-	7,535
Park Forest	2,000	-	-	2,000
Other				
Center for Family Health	1,500	-	-	1,500
County of Jackson	-	-	90,000	90,000
Interest income	<u>2,245</u>	<u>4,083</u>	<u>2,140</u>	<u>8,468</u>
 TOTAL NONOPERATING REVENUES - LOCAL	 <u><u>\$ 209,789</u></u>	 <u><u>\$ 358,359</u></u>	 <u><u>\$ 92,140</u></u>	 <u><u>\$ 660,288</u></u>

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF NONOPERATING REVENUES - STATE AND FEDERAL

Year Ended September 30, 2004

	Linehaul	Demand Response	County Demand Response	Total
State of Michigan grants				
Formula operating assistance (Act 51)	\$ 557,108	\$ 1,004,845	\$ 526,622	\$ 2,088,575
Prior year adjustments	-	-	(25,250)	(25,250)
Capital match for Section 5307 grants	84,813	157,164	-	241,977
Ridesharing	-	28,250	-	28,250
Project Zero	-	50,207	-	50,207
Total State of Michigan operating and capital grants	641,921	1,240,466	501,372	2,383,759
Federal grants				
U.S.D.O.T. operating grant - Section 5307	217,170	391,526	-	608,696
U.S.D.O.T. capital grants - Section 5307	340,737	631,409	-	972,146
U.S.D.O.T. operating grant - Section 5311	-	-	136,357	136,357
R.T.A.P.	-	-	2,355	2,355
Workfirst transportation	-	39,963	11,284	51,247
Total Federal operating and capital grants	557,907	1,062,898	149,996	1,770,801
TOTAL NONOPERATING REVENUES - STATE AND FEDERAL	<u>\$ 1,199,828</u>	<u>\$ 2,303,364</u>	<u>\$ 651,368</u>	<u>\$ 4,154,560</u>

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF OPERATING EXPENSES BY ACTIVITY

Year Ended September 30, 2004

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administrative</u>	<u>Total System</u>
Linehaul				
Operator's salaries and wages	\$ 380,885	\$ -	\$ -	\$ 380,885
Dispatcher's salaries and wages	83,068	-	-	83,068
Other salaries and wages	41,178	147,449	68,958	257,585
Payroll taxes	49,831	14,376	6,262	70,469
Vacation pay	33,835	12,238	6,129	52,202
Group health insurance	88,013	32,285	11,864	132,162
Group life insurance	8,075	2,994	940	12,009
Tool allowance	-	1,054	-	1,054
Uniform expense	5,967	3,891	-	9,858
Workers' compensation	25,567	7,308	667	33,542
Dental insurance	8,666	2,855	1,094	12,615
Pension	27,334	9,812	7,189	44,335
Flexible spending	-	-	301	301
Contract radio	-	3,781	-	3,781
Janitorial	-	4,389	-	4,389
Accounting	-	-	2,868	2,868
Contract services	-	-	3,964	3,964
Volunteer services	-	-	16,563	16,563
Answering service	-	-	3,181	3,181
Computer maintenance	-	-	6,905	6,905
Attorney fees	-	-	118	118
Diesel fuel	34,222	-	-	34,222
Gasoline	17,207	-	-	17,207
Tires	1,234	-	-	1,234
Major supplies	184	27	574	785
Bus parts	47,553	-	-	47,553
Building maintenance	-	7,882	-	7,882
Cleaning supplies	-	3,977	-	3,977
Shop tools	-	351	-	351
Shop supplies	-	5,109	-	5,109
Miscellaneous hardware	-	1,005	-	1,005
Outside labor	-	2,512	-	2,512
Lubricants and oils	2,485	-	-	2,485
Office supplies	-	-	2,604	2,604
Printing expense	-	-	5,713	5,713
Computer supplies	-	-	386	386
Power	-	-	15,859	15,859
Telephone	-	-	6,664	6,664
Water	-	-	1,382	1,382
Refuse	-	-	(78)	(78)
Liability insurance	40,868	-	-	40,868
Operating insurance	-	-	7,313	7,313
Travel and meetings	-	1,530	1,477	3,007
Marketing	-	-	4,597	4,597
Physicals/drug testing	1,354	157	-	1,511
CDL reimbursement	211	77	-	288

CITY OF JACKSON ACT 196
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SCHEDULE OF OPERATING EXPENSES BY ACTIVITY - CONTINUED

Year Ended September 30, 2004

	Operations	Maintenance	General Administrative	Total System
Linehaul - continued				
Dues - subscriptions	\$ -	\$ -	\$ 59	\$ 59
Driver training supplies	134	-	-	134
Miscellaneous	-	-	400	400
Millage chargebacks	-	-	522	522
City license fees	145	-	-	145
Education and training	-	-	107	107
Bad debts	-	-	771	771
Office machine and equipment	-	-	132	132
Total linehaul	898,016	265,059	185,485	1,348,560
Demand response				
Operator's salaries and wages	686,679	-	-	686,679
Dispatcher's salaries and wages	149,758	-	-	149,758
Other salaries and wages	74,237	265,828	137,362	477,427
Payroll taxes	89,837	25,918	12,286	128,041
Vacation pay	60,999	22,064	11,050	94,113
Group health insurance	158,674	58,205	24,238	241,117
Group life insurance	14,558	5,398	1,887	21,843
Tool allowance	-	1,900	-	1,900
Uniform expense	10,758	7,015	-	17,773
Workers' compensation	46,094	13,176	1,202	60,472
Dental insurance	15,623	5,147	1,972	22,742
Pension	49,280	17,689	12,960	79,929
Flexible spending	-	-	544	544
Contract radio	-	6,816	-	6,816
Janitorial	-	7,912	-	7,912
Accounting	-	-	5,170	5,170
Contract services	-	-	7,146	7,146
Volunteer services	-	-	29,861	29,861
Answering service	-	-	5,735	5,735
Computer maintenance	-	-	12,449	12,449
Attorney fees	-	-	213	213
Diesel fuel	61,697	-	-	61,697
Gasoline	31,021	-	-	31,021
Tires	2,224	-	-	2,224
Major supplies	333	48	1,034	1,415
Van parts	85,730	-	-	85,730
Building maintenance	-	14,209	-	14,209
Cleaning supplies	-	7,170	-	7,170
Shop tools	-	633	-	633
Shop supplies	-	9,210	-	9,210
Miscellaneous hardware	-	1,813	-	1,813
Outside labor	-	4,530	-	4,530
Lubricants and oils	4,481	-	-	4,481
Office supplies	-	-	5,013	5,013
Printing expense	-	-	10,300	10,300

CITY OF JACKSON ACT 196
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SCHEDULE OF OPERATING EXPENSES BY ACTIVITY - CONTINUED

Year Ended September 30, 2004

	Operations	Maintenance	General Administrative	Total System
Demand response - continued				
Computer supplies	\$ -	\$ -	\$ 696	\$ 696
Power	-	-	28,591	28,591
Telephone	-	-	12,014	12,014
Water	-	-	2,492	2,492
Refuse	-	-	(140)	(140)
Liability insurance	73,679	-	-	73,679
Operating insurance	-	-	13,183	13,183
Travel and meetings	-	2,759	2,878	5,637
Marketing	-	-	18,938	18,938
Physicals/drug testing	2,441	283	-	2,724
CDL reimbursement	380	139	-	519
Dues - subscriptions	-	-	106	106
Driver training supplies	242	-	-	242
Miscellaneous	-	-	721	721
Millage chargebacks	-	-	941	941
City license fees	261	-	-	261
Education and training	-	-	192	192
Bad debts	-	-	1,391	1,391
Office machine and equipment	-	-	238	238
Total demand response	1,618,986	477,862	362,663	2,459,511
County nonurban				
Operator's salaries and wages	360,042	-	-	360,042
Dispatcher's salaries and wages	78,522	-	-	78,522
Other salaries and wages	38,924	139,380	65,184	243,488
Payroll taxes	47,104	13,589	5,919	66,612
Vacation pay	31,983	11,569	5,794	49,346
Group health insurance	83,197	30,518	11,215	124,930
Group life insurance	7,633	2,831	889	11,353
Tool allowance	-	996	-	996
Uniform expense	5,641	3,678	-	9,319
Workers' compensation	24,168	6,909	630	31,707
Dental insurance	8,191	2,699	1,034	11,924
Pension	25,839	9,275	6,795	41,909
Flexible spending	-	-	285	285
Contract radio	-	3,574	-	3,574
Janitorial	-	4,149	-	4,149
Accounting	-	-	2,711	2,711
Contract services	-	-	3,747	3,747
Volunteer services	-	-	15,657	15,657
Answering service	-	-	3,007	3,007
Computer maintenance	-	-	6,527	6,527
Attorney fees	-	-	112	112
Diesel fuel	32,349	-	-	32,349
Gasoline	16,265	-	-	16,265

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF OPERATING EXPENSES BY ACTIVITY - CONTINUED

Year Ended September 30, 2004

	Operations	Maintenance	General Administrative	Total System
County nonurban - continued				
Tires	\$ 1,166	\$ -	\$ -	\$ 1,166
Major supplies	174	25	542	741
Bus parts	44,951	-	-	44,951
Building maintenance	-	7,450	-	7,450
Cleaning supplies	-	3,759	-	3,759
Shop tools	-	332	-	332
Shop supplies	-	4,830	-	4,830
Miscellaneous hardware	-	950	-	950
Outside labor	-	2,374	-	2,374
Lubricants and oils	2,349	-	-	2,349
Office supplies	-	-	2,462	2,462
Printing expense	-	-	5,401	5,401
Computer supplies	-	-	365	365
Power	-	-	14,991	14,991
Telephone	-	-	6,299	6,299
Water	-	-	1,307	1,307
Refuse	-	-	(73)	(73)
Liability insurance	38,632	-	-	38,632
Operating insurance	-	-	6,912	6,912
Travel and meetings	-	1,447	1,396	2,843
Marketing	-	-	4,345	4,345
Dues - subscriptions	-	-	55	55
Driver training supplies	127	-	-	127
Physicals/drug testing	1,280	148	-	1,428
CDL reimbursement	199	73	-	272
City license fees	137	-	-	137
Miscellaneous	-	-	438	438
Education and training	-	-	101	101
Bad debts	-	-	729	729
Office machine and equipment	-	-	125	125
Total County nonurban	848,873	250,555	174,901	1,274,329
Project Zero				
Operator's salaries and wages	17,321	-	-	17,321
Dispatcher's salaries and wages	4,217	-	-	4,217
Other salaries and wages	-	5,523	2,761	8,284
Payroll taxes	1,757	452	151	2,360
Vacation pay	1,255	351	301	1,907
Group health insurance	3,514	904	402	4,820
Group life insurance	201	50	-	251
Tool allowance	-	50	-	50
Uniform expense	301	151	-	452
Workers' compensation	301	100	-	401
Dental insurance	402	100	50	552
Pension	402	151	201	754
Contract radio	-	151	-	151

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF OPERATING EXPENSES BY ACTIVITY - CONTINUED

Year Ended September 30, 2004

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administrative</u>	<u>Total System</u>
Project Zero - continued				
Janitorial	\$ -	\$ 151	\$ -	\$ 151
Accounting	-	-	151	151
Contract services	-	-	50	50
Volunteer services	-	-	552	552
Answering service	-	-	151	151
Computer maintenance	-	-	100	100
Attorney fees	-	-	50	50
Diesel fuel	1,406	-	-	1,406
Gasoline	753	-	-	753
Tires	100	-	-	100
Bus parts	1,809	-	-	1,809
Building maintenance	-	201	-	201
Cleaning supplies	-	100	-	100
Shop supplies	-	201	-	201
Outside labor	-	100	-	100
Lubricants and oils	100	-	-	100
Office supplies	-	-	152	152
Printing expense	-	-	151	151
Power	-	-	552	552
Telephone	-	-	201	201
Water	-	-	50	50
Liability insurance	854	-	-	854
Operating insurance	-	-	251	251
Marketing	-	-	251	251
Dues - subscriptions	-	-	50	50
Physical/drug testing	50	-	-	50
Miscellaneous	-	-	100	100
Office machine and equipment	-	-	50	50
	<u>34,743</u>	<u>8,736</u>	<u>6,728</u>	<u>50,207</u>
Total Project Zero				
Depreciation	<u>628,168</u>	<u>190,354</u>	<u>133,247</u>	<u>951,769</u>
TOTAL OPERATING EXPENSES	<u><u>\$ 4,028,786</u></u>	<u><u>\$ 1,192,566</u></u>	<u><u>\$ 863,024</u></u>	<u><u>\$ 6,084,376</u></u>

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

NET ELIGIBLE COST COMPUTATIONS OF GENERAL OPERATIONS

Year Ended September 30, 2004

	Federal Section 5311 Nonurban	State Operating Assistance			Project Zero
		Urban	Nonurban	Total	
Expenses					
Labor	\$ 682,052	\$ 2,035,402	\$ 682,052	\$ 2,717,454	\$ 29,822
Fringe benefits	348,379	1,037,023	348,379	1,385,402	11,547
Services	44,082	140,604	44,082	184,686	1,356
Materials and supplies	125,744	373,167	125,744	498,911	5,073
Utilities	22,522	66,786	22,522	89,308	803
Casualty and liability costs	45,543	135,044	45,543	180,587	1,105
Taxes and fees	408	1,214	408	1,622	-
Miscellaneous	5,410	18,464	5,721	24,185	451
Leases and rentals	125	370	125	495	50
Depreciation	237,942	713,827	237,942	951,769	-
Total expenses	1,512,207	4,521,901	1,512,518	6,034,419	50,207
Less ineligible expenses					
Nontransportation revenues	(4,514)	(13,384)	(4,514)	(17,898)	-
Expenses associated with sale of maintenance service	(21,132)	(62,657)	(21,132)	(83,789)	-
Bad debts	(729)	(2,162)	(729)	(2,891)	-
Millage chargeback	-	(1,463)	-	(1,463)	-
Grant costs					
Ridesharing	-	(28,250)	-	(28,250)	-
RTAP	(2,355)	-	(2,355)	(2,355)	-
Capital purchases with local grants	(269)	(796)	(269)	(1,065)	-
Depreciation	(237,942)	(713,827)	(237,942)	(951,769)	-
Total ineligible expenses	(266,941)	(822,539)	(266,941)	(1,089,480)	-0-
NET ELIGIBLE EXPENSES	<u>\$ 1,245,266</u>	<u>\$ 3,699,362</u>	<u>\$ 1,245,577</u>	<u>\$ 4,944,939</u>	<u>\$ 50,207</u>
Maximum Section 5311 reimbursement 10.95% of \$1,245,266	<u>\$ 136,357</u>				
State operating assistance 42.236619648% of \$4,944,939				<u>\$ 2,088,575</u>	
Project Zero reimbursement					<u>\$ 50,207</u>

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY
SCHEDULE OF INELIGIBLE EXPENSES
Year Ended September 30, 2004

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Ineligible Expense</u>
Urban Mass Transportation Administration		
A) Operating Grants Listed on Schedule of Expenditures of Federal Awards		
	1. Nontransportation revenues and miscellaneous income expense are deducted as ineligible grant expenses.	\$ 17,898
	2. Expenses related to sale of maintenance service.	83,789
	3. Millage Chargebacks - adjustments to local property tax revenue.	1,463
	4. Grant Costs - grant expenditures are included in the total expenses; therefore, they are deducted to arrive at net eligible expenses.	31,670
	5. Depreciation - depreciation on capital assets purchased with grants must be deducted as an ineligible expense.	951,769
	6. Bad debts - bad debts are deducted as ineligible grant expense.	<u>2,891</u>
	Total	<u>\$ 1,089,480</u>

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF MILEAGE DATA (UNAUDITED)

Year Ended September 30, 2004

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Public Transportation Mileage (1)
Linehaul City	88,224	87,002	84,726	87,893	347,845
Demand Response					
City	116,026	88,713	84,064	83,706	372,509
County	34,599	28,249	24,318	24,084	111,250
Total demand response	150,625	116,962	108,382	107,790	483,759
Medical Shuttle					
City	12,926	12,565	15,101	14,989	55,581
County	5,615	7,814	7,782	9,624	30,835
Total medical shuttle	18,541	20,379	22,883	24,613	86,416
P.E.T.					
City	27,492	26,787	29,558	27,998	111,835
County	47,519	47,349	34,429	31,626	160,923
Total P.E.T.	75,011	74,136	63,987	59,624	272,758
Headstart					
City	25,401	28,424	10,803	11,346	75,974
County	7,272	7,623	3,856	3,176	21,927
Total Headstart	32,673	36,047	14,659	14,522	97,901
Project Zero					
City	871	328	5,289	8,871	15,359
County	33	58	1,912	2,499	4,502
Total Project Zero	904	386	7,201	11,370	19,861
WIA/Workfirst Program					
City	11,866	8,625	4,178	-	24,669
County	4,583	4,439	1,142	-	10,164
Total WIA/Workfirst	16,449	13,064	5,320	-0-	34,833
Linehaul deadhead	3,776	3,721	3,528	3,666	14,691
TOTAL MILEAGE	<u>386,203</u>	<u>351,697</u>	<u>310,686</u>	<u>309,478</u>	<u>1,358,064</u>

- (1) The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended September 30, 2004

	Grant/ Agreement <u>Account No.</u>	Program Approved <u>Amount</u>	<u>Current</u>	
			<u>Revenues</u>	<u>Expenditures</u>
MICHIGAN DEPARTMENT OF TRANSPORTATION				
Act 51 Formula - 1999 Reconciliation	Operating	\$ 1,798,534	\$(25,250)	\$(25,250)
Act 51 Formula - 2004	Operating	2,088,575	2,088,575	2,088,575
Ridesharing Services Program	MDOT 2004-0006	28,250	28,250	28,250
Capital Match for 90-0198	MDOT 2002-0054 Z6	122,955	122,955	122,955
Capital Match for 90-0327	MDOT 99-0604	84,060	12,161	12,161
Capital Match for 90-0348	MDOT 00-0324	111,250	18,507	18,507
Capital Match for 90-0372	MDOT 01-0645	112,502	25,649	25,649
Capital Match for 90-0394	MDOT 02-0054 Z3	131,583	23,755	23,755
Capital Match for 90-0414	MDOT 02-0054 Z7	50,250	33,522	33,522
Capital Match for 90-0444	MDOT 02-0054 Z11	112,448	5,428	5,428
Project Zero service operations	MDOT 02-0054 Z4	<u>70,000</u>	<u>50,207</u>	<u>50,207</u>
TOTAL STATE ASSISTANCE		<u>\$ 4,710,407</u>	<u>\$ 2,383,759</u>	<u>\$ 2,383,759</u>

<u>Grant-To-Date</u>		<u>Grant Balance</u>	<u>Grant Status</u>
<u>Revenues</u>	<u>Expenditures</u>		
\$ 1,798,534	\$ 1,798,534	\$ -	Completed
2,088,575	2,088,575	-	Completed
28,250	28,250	-	Completed
122,955	122,955	-	Completed
84,060	84,060	-	Completed
111,250	111,250	-	Completed
112,502	112,502	-	Completed
117,244	117,244	14,339	Incomplete
40,457	40,457	9,793	Incomplete
5,428	5,428	107,020	Incomplete
<u>50,207</u>	<u>50,207</u>	<u>19,793</u>	Completed
<u>\$ 4,559,462</u>	<u>\$ 4,559,462</u>	<u>\$ 150,945</u>	

SINGLE AUDIT SECTION

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2004

<u>Federal Grantor and Pass-through Program Title</u>	<u>Grant/ Agreement Account No.</u>	<u>Federal CFDA Number</u>	<u>Program Award Amount</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Federal Transit Administration			
Direct Assistance			
Federal Transit - Formula Grants ^(a)		20.507	
Section 5307 operating	MI 90-4444		\$ 608,696
Section 5307 capital	MI 90-0198		492,357
Section 5307 capital	MI 90-0372		450,006
Section 5307 capital	MI 90-0348		445,003
Section 5307 capital	MI 90-0444		449,791
Section 5307 capital	MI 90-0414		201,000
Section 5307 capital	MI 90-0394		526,334
Section 5307 capital	MI 90-0327		<u>420,298</u>
			3,593,485
 Passed through Michigan Department of Transportation			
Formula Grants for Other than Urbanized Areas		20.509	
RTAP training funds	N/A		2,355
Section 5311 operating	02-0054/Z5		<u>136,357</u>
Total Passed through Michigan Department of Transportation			<u>138,712</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			3,732,197
 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through South Central Michigan Works! and Region II CAA			
Work First	N/A	93.558	<u>75,000</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 3,807,197</u>

^(a) Denotes major program

<u>Revenues</u>	<u>Expenses</u>	<u>Grant Status</u>
\$ 608,696	\$ 608,696	Completed
492,357	492,357	Completed
102,598	102,598	Completed
77,738	77,738	Completed
21,700	21,700	Incomplete
134,091	134,091	Incomplete
95,019	95,019	Completed
<u>48,643</u>	<u>48,643</u>	Completed
1,580,842	1,580,842	
2,355	2,355	Completed
<u>136,357</u>	<u>136,357</u>	Completed
<u>138,712</u>	<u>138,712</u>	
1,719,554	1,719,554	
<u>51,247</u>	<u>51,247</u>	Completed
<u>\$ 1,770,801</u>	<u>\$ 1,770,801</u>	

Principals

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Steven R. Kirinovic, CPA
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ABRAHAM & GAFFNEY, P.C.
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
City of Jackson Act 196 Transportation Authority
Jackson, Michigan

We have audited the basic financial statements of the City of Jackson Act 196 Transportation Authority as of and for the year ended September 30, 2004, and have issued our report thereon dated November 17, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Jackson Act 196 Transportation Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jackson Act 196 Transportation Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of management and the Board of Directors of the City of Jackson Act 196 Transportation Authority, the Federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 17, 2004

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
City of Jackson Act 196 Transportation Authority
Jackson, Michigan

Compliance

We have audited the compliance of the City of Jackson Act 196 Transportation Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that is applicable to its major Federal programs for the year ended September 30, 2004. The City of Jackson Act 196 Transportation Authority's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major Federal programs are the responsibility of the City of Jackson Act 196 Transportation Authority management. Our responsibility is to express an opinion on the City of Jackson Act 196 Transportation Authority compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the City of Jackson Act 196 Transportation Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Jackson Act 196 Transportation Authority's compliance with those requirements.

In our opinion, the City of Jackson Act 196 Transportation Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended September 30, 2004.

Internal Control Over Compliance

The management of the City of Jackson Act 196 Transportation Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Jackson Act 196 Transportation Authority's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the Board of Directors of the City of Jackson Act 196 Transportation Authority, the Federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 17, 2004

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS

Year Ended September 30, 2004

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion was issued on the financial statements of the City of Jackson Act 196 Transportation Authority.

We noted no instances of noncompliance with laws, regulations, contracts, and grants that could have a direct and material effect on the financial statements.

An unqualified opinion was issued on compliance for major programs. We did not disclose any findings regarding internal controls or compliance related to the major program tested.

The major program tested to cover 25 percent of the total Federal expenditures was the Federal Transit Formula Grants (CFDA 20.507). Total Federal expenditures for the year ended September 30, 2004, for the major program was \$1,580,842, which is approximately 89 percent of the total Federal Award expenditures. The City of Jackson Act 196 Transportation Authority qualified as a low-risk auditee.

The dollar threshold for Type A programs of the City of Jackson Act 196 Transportation Authority was \$300,000. The Federal Transit Formula Grants program qualified as Type A. Programs of less than \$300,000 were determined to be Type B programs.

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Control Over the Financial Statements.

None

Findings Related to Compliance with Requirements to the Financial Statements.

None

Findings Related to Compliance with Requirements to the Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.

None

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year Ended September 30, 2004

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Financial Statements.

No prior reportable conditions

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

No prior audit findings

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings